

Boxborough Annual Town Meeting

9 May 2005

Boxborough ATM

9-May 2005

Finance Committee Brief

- **Proposition 2 1/2 Constraints**
- **Structural Budgeting Issues in Boxborough**
- **Summary of FY '06 Revenues and Expenses**
- **Rationale and Amount for Proposition 2 1/2 Override**
- **Consequences of Override Passing and/or Failing**
- **Future Prospects**

Proposition 2 1/2 and How it Works

- Proposition 2 1/5 **Does NOT** directly limit spending
- It places several limits on **Property Taxes**
 - Yearly increases $\leq 2\frac{1}{2}\%$ of prior year levy limit
 - Additional increase from expected new construction value \times prior year's tax rate
- Tax levy amounts above these levels are only allowed by:
 - Override, Debt Exclusion, or Capital Exclusion

Structural Issues in Town Budgeting

- Revenues
 - Tax Levy increases are limited by Prop 2 1/2
 - State Aid is down ~ \$200,000 (10%) from FY '03 peak
 - Local Receipts (excise, permit fees) remain flat due to slow economy and development
- Expenses
 - Personnel and other expenses increase ~ 5% per year
 - Employee Benefits increasing 10% - 15% per Year
 - Regional School Assessment increasing @ 7% - 12%
 - Acton Override Drives Assessment +/- \$250,000

Approximately 50% of the town's budget comprises costs substantially outside of our direct control

What Do These Trends Mean?

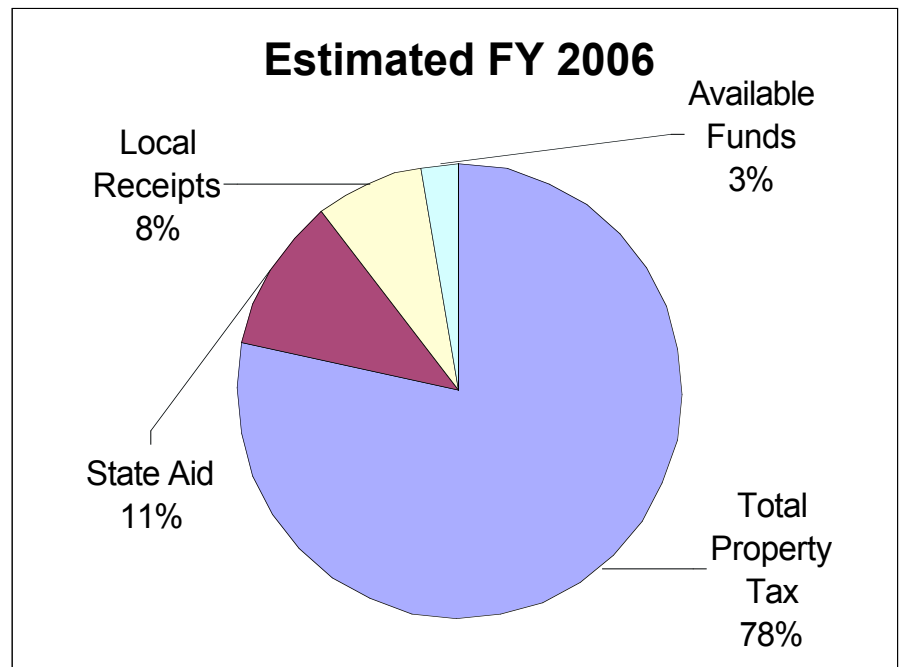
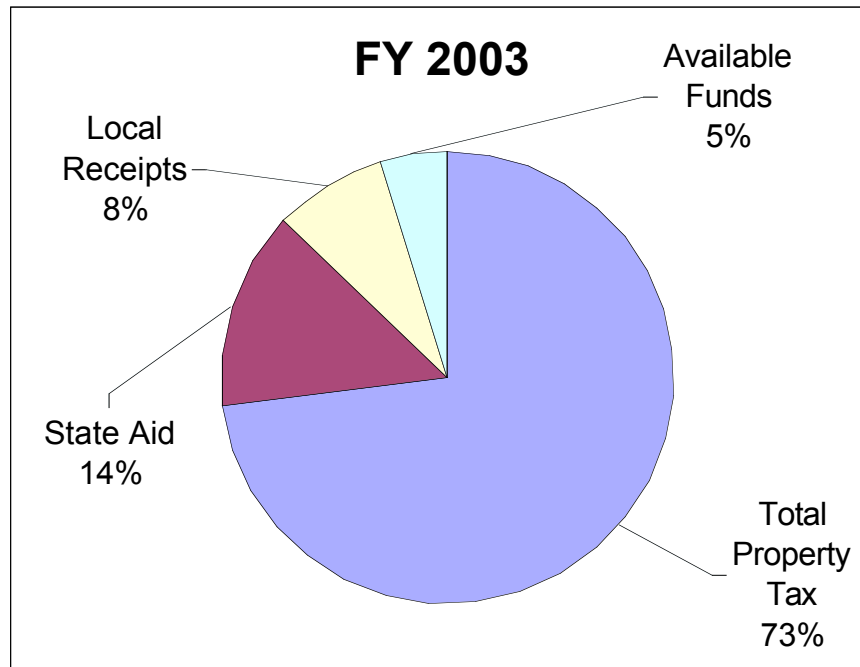
- Expenses are rising faster than Prop. 2 1/2 Revenues
- We have used our savings to avoid overrides for the past 5 years
 - Cannot continue this draw on cash reserves
- To maintain “Level Services” we need a Proposition 2 1/2 Override in FY '06
- Even if no override is passed, tax bills will increase
 - ~ 1.2% above FY '05 operations and capital exclusions

**Taxes = Prop. 2 1/2 + exempt debt service +
capital exclusion + override**

Changing Revenue Picture

***Reductions in State Aid and Cash Reserves
Must be Made up in Tax Levy***

- Tax Levy Portion Increased by 5% -



Budgeting Realities and Issues

- Historically we have used 20% - 35% of our available cash to balance the Town's budget
- These cash reserves are not replenishing at the same rate as in years past (tighter budgeting)
- Current cash reserves are approximately \$1.5 million
 - Stabilization fund balance ~ \$870K
 - Free cash ~ \$500K
 - Balance in small funds
- Reserves will **Not** balance the FY '06 budget
- Maintaining cash reserves at a prudent level reduces our bonding costs
 - Town Bond Rating has been upgraded by Moody's to AA+

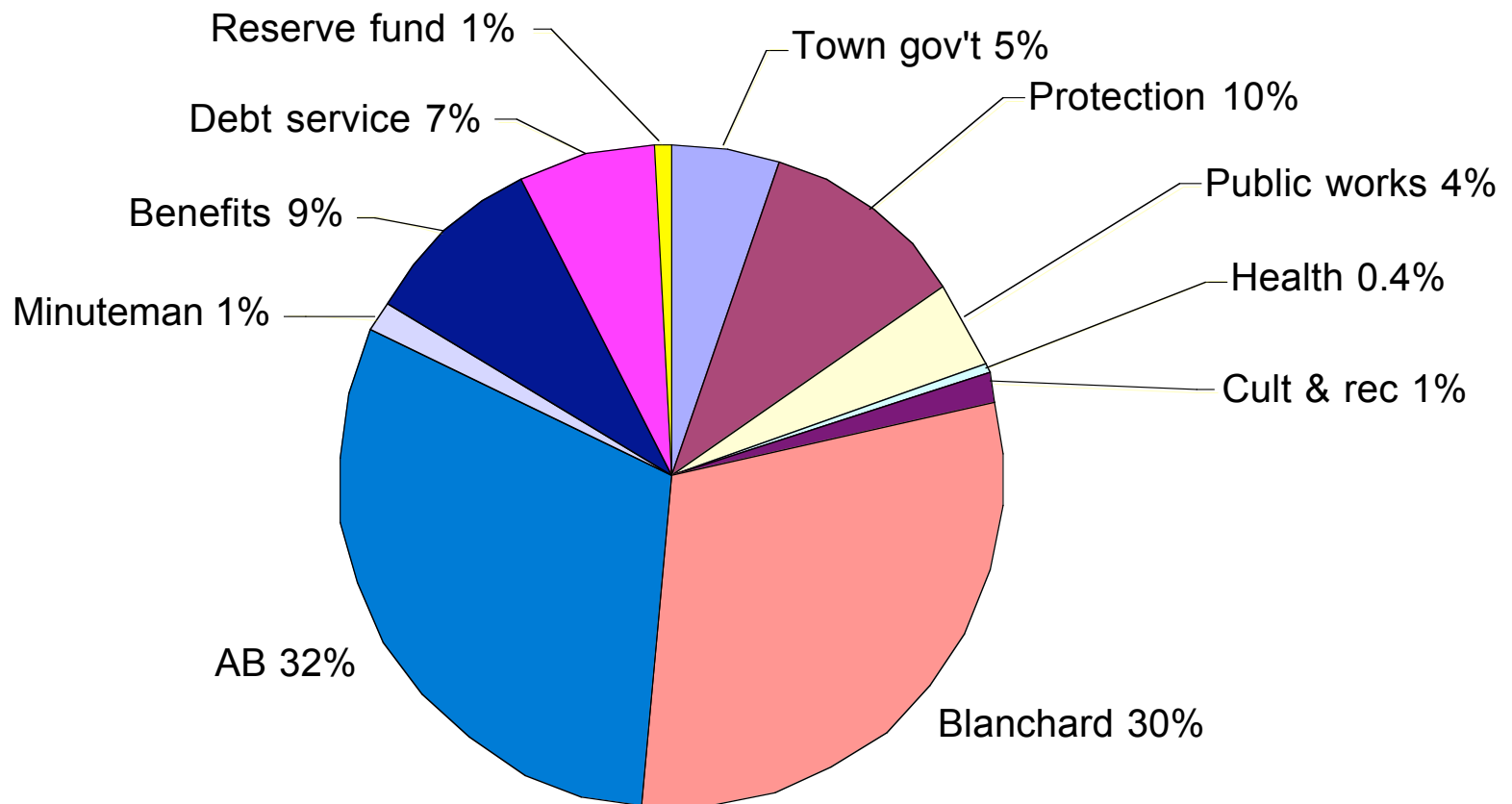
FY '06 Budgeting Assumptions

- Level service budget
 - Service priorities confirmed at January '05 STM and by voter survey
 - No coherent inputs from taxpayers as to unneeded services
- 3% average COLA per personnel board
- Hold ABRS & Minuteman harmless re. override
- Benefits continue to rise 3x – 4x inflation

Reality is that town operations budget is down from FY'02, yet total costs are up due to personnel and ABRS increases

FY '06 Proposed Spending by Function

(Left Half of Pie Out of Immediate Local Control)



FY 2006 Anticipated Expenses as of May 2005

5/8/2005

	FY 2005	FY 2006	Δ\$	Δ%
Budget under Local Authority				
Town	\$3,382,942	\$3,564,444	\$181,502	5.4%
Blanchard School	\$4,791,317	\$5,036,381	\$245,064	5.1%
Reserve Fund	\$146,000	\$146,000	\$0	0.0%
Subtotal	<u>\$8,320,259</u>	<u>\$8,746,825</u>	<u>\$426,566</u>	<u>5.1%</u>
Assessments				
AB Regional Schools	\$4,788,078	\$5,136,802	\$348,724	7.3% (1)
Minuteman Vocational	\$174,774	\$233,461	\$58,687	33.6%
Employee Benefits	\$1,345,604	\$1,490,105	\$144,501	10.7%
Debt Service	\$1,112,066	\$1,110,139	-\$1,927	-0.2% (2)
RE Tax Overlay	\$200,404	\$200,000	-\$404	-0.2%
Subtotal	<u>\$7,620,926</u>	<u>\$8,170,507</u>	<u>\$549,581</u>	<u>7.2%</u>
ATM Articles & Other	\$122,270	\$306,000	\$183,730	150.3% (3)
Total Anticipated Expenses	<u>\$16,063,455</u>	<u>\$17,223,332</u>	<u>\$1,159,877</u>	<u>7.2%</u>

(1) Function of expense growth, flat or declining state aid and increasing Boxborough percentage of students

(2) 95% exempt from proposition 2.5; includes ABRS

(3) Assumes all override, debt exclusion, and capital exclusion articles pass May '05 ATM

FY 2006 Anticipated Revenue as of May 2005

5/8/2005

	FY 2005	FY 2006	Δ\$	Δ%
Real Estate Taxes				
FY 2005 levy limit		\$11,320,260		
Allowed 2.5 % Growth		\$283,007		
New Growth		\$190,773		
Current Year Levy Limit	\$11,320,260	\$11,794,040	\$473,780	4.2%
Exempt Debt Service	\$675,864	\$687,742	\$11,878	1.8% (1)
Warrant Article Exclusion/Override	\$150,500	\$306,000	\$155,500	103.3% (2)
Maximum RE Taxes	\$12,146,624	\$12,787,782	\$641,158	5.3%
State Aid (net)	\$1,848,991	\$1,890,950	\$41,959	2.3%
Local Receipts	\$1,344,600	\$1,344,600	\$0	0.0%
Overlay Surplus & Other	\$168,036	\$11,252	-\$156,784	-93.3%
Total Anticipated Revenue	\$15,508,251	\$16,034,584	\$526,333	3.4%
Total Anticipated Expenses	\$16,063,455	\$17,223,332	\$1,159,877	7.2%
Anticipated Budget Deficit	\$555,204	\$1,188,748		

(1) Net of State School Construction Aid

(2) Assumes All Warrant Article Exclusion/Overrides Pass May '05 ATM

If Expenses Are Larger Than Proposition 2 1/2 Revenues - *Override Needed* -

- Estimated FY '06 Expenses - \$17,223,332
- Est. FY '06 Prop 2 1/2 Revenues - \$16,034,584
- *FY'06 Projected Deficit* - \$1,188,748
- How Do We Cover the Deficit
 - **Use Available Funds (ops.*)** \$388,748
 - ***Balance via Override*** \$800,000

****Note: We are proposing to use another \$156,500 in cash reserves to cover several of the Warrant Articles***

Warrant Article Summary

- Twelve warrant articles request additional monies for perceived needs, totaling **\$578,489** in added spending
- Four propose using Free Cash totaling **\$56,500** to purchase infrastructure evaluations, fire alarm units & electrical upgrades to Steele Farm
- Two propose using Stabilization Fund \$\$ totaling **\$100,000** to replace a defunct cistern and drill groundwater test wells
- Six propose overrides, debt exclusions, or capital exclusions totaling **\$421,989** for school personnel and materials, library hours, ambulance, added firefighter, and roof repairs
- Estimated tax levy expenditure in FY '06 is **\$306,000** due to 5 year bonding for ambulance

Override Procedure

- Pass the budget (Article 5) with majority vote
- Pass the election ballot with majority vote
- If the election fails we must go back to Town Meeting to balance the budget
 - *If needed, STM will be held in late June, date TBD by BoS*

Tax Bill Consequences of Override

Budget Scenario	FY '05	FY '06		
	Baseline, Operations Plus Exclusions	No Override	Operational Override, \$800K No Warrant Articles	Operational Override Plus Warrant Articles \$306K FY '06 Levy
Tax Levy	\$12,146,624	\$12,481,782	\$13,281,782	\$13,587,782
Valuation (\$1000s)	\$927,198	\$941,930	\$941,930	\$941,930
Tax Rate	\$13.10	\$13.25	\$14.10	\$14.43
Avg. Valuation*	\$508,428	\$508,428	\$508,428	\$508,428
Avg. Tax Bill	\$6,660	\$6,737	\$7,169	\$7,337
Diff. from FY '05	N/A	\$77	\$509	\$677
% Diff. From FY '05	N/A	1.2%	7.6%	10.2%

* Note: Average Single Family Residence Value per DoR, FY 2005. \$\$ and % Differences May Vary if Proportions of Residential vs. Commercial Valuation Change from FY '05– FY '06

What if the Proposed Override Does Not Pass?

- Cannot Reduce Assessments
 - Debt Service
 - Regional Schools
 - Employee Benefits
 - Overlay (Real Estate Tax Abatements)
- Will use ~ \$389,000 (+/-) of available cash as planned
- Town Operations and Blanchard Budgets (\$8.75 Million of \$17.2 Million Total) would absorb \$800,000 in cuts
 - Plus costs for layoffs (e.g. unemployment)
 - Excess Costs would be net of savings in Employee Benefits

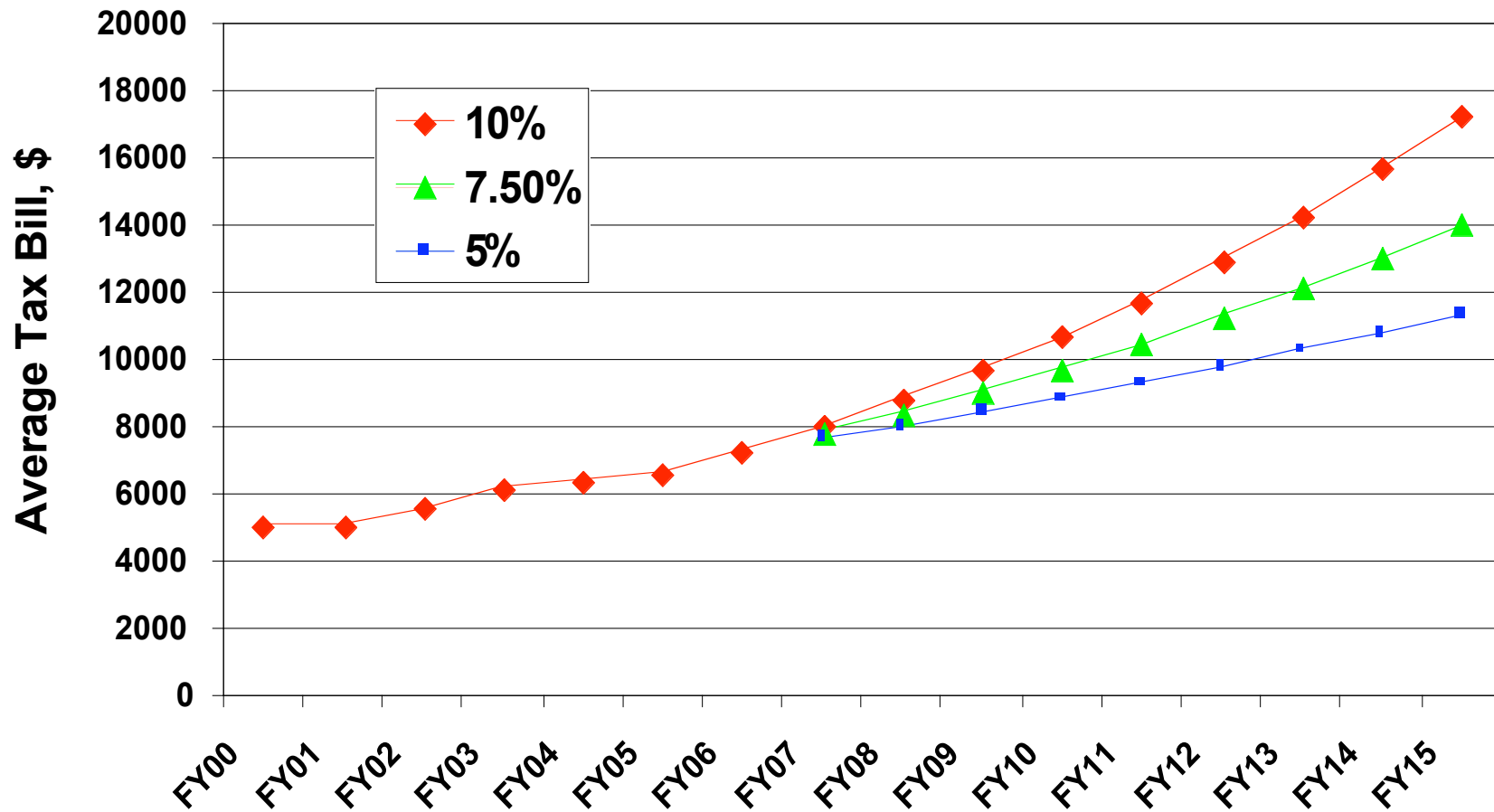
Consequences of Override Failure

<i>Town Operations</i>	<i>Blanchard School</i>
Estimated Cuts: \$332,000	Estimated Cuts: \$527,000
% Reduction from FY '05 Budget: 4.4%	% Reduction from FY '05 Budget: 5.8%
<ul style="list-style-type: none"> • Cut ? FTE & Close Another 8 hours/wk • Reduced Boards, Custodial, IT Support • Lay Off 2 Police Officers • Reduce Police Overtime, Shift Coverage • Lay Off 1 Firefighter • Cut 1 FTE from DPW and In-house Vehicle Maintenance • Reduce Road, Fields, Building Maintenance • Reduce Library Hours ~ 20% to 4 days/wk • Reduce Library Book Purchases • Reduce COA Hours 	<ul style="list-style-type: none"> • Eliminate 2 Classroom Teachers • Eliminate SPED Teacher Position • Eliminate 1 Reading Specialist • Eliminate 1 Math Specialist • Eliminate IT Specialist • Eliminate 3 General Ed Aides • Eliminate Library Assistant • Eliminate 1 Custodian • Reduce Positions Totalling 1.1 FTE • Move Cafeteria Manager to Revolving Fund (e.g. Lunch prices must go up) • Reduce or Eliminate Technology, Classroom Materials Purchases • Reduce Professional Devel. Support

What Happens in FY '07 and Beyond?

- Property Tax Levy can still only increase by ~ 2 1/2 % (+) without significant new development
- State Aid may increase slightly, but we do not anticipate large increases
- Local Receipts cannot significantly increase without new development
- *Personnel costs continue to rise faster than inflation*
- *ABRS rising faster than inflation*
- *At 7%-10% rates of increase, property tax bills will double in less than 10 years*

Average Property Tax Bill Projection



Board Of Selectmen Annual Town Meeting

May 9, 2005

FY'06 Budget Planning Approach

- The BoS believes strongly in continuing current service levels
 - Reinforced by Jan 05 State of Town input
 - Desire for superior public safety, highway services
- Requires operational budget override
- Warrant articles address strategic needs
- Cuts identified if general override fails
- Actions taken to reduce budget growth

Budget Realities

- Operations reduced for past 3 years - ↓ 3% from FY'02
- Staffing and programs cut, maintenance deferred.
- Increased demand for services, support of boards
- Revenue crunch likely to persist
 - Sluggish economy / low growth forecast
 - State aid nearly flat
 - Cash reserves being depleted
- Personnel most significant cost
 - Changes only through collective bargaining

Is Our Spending Out Of Line?

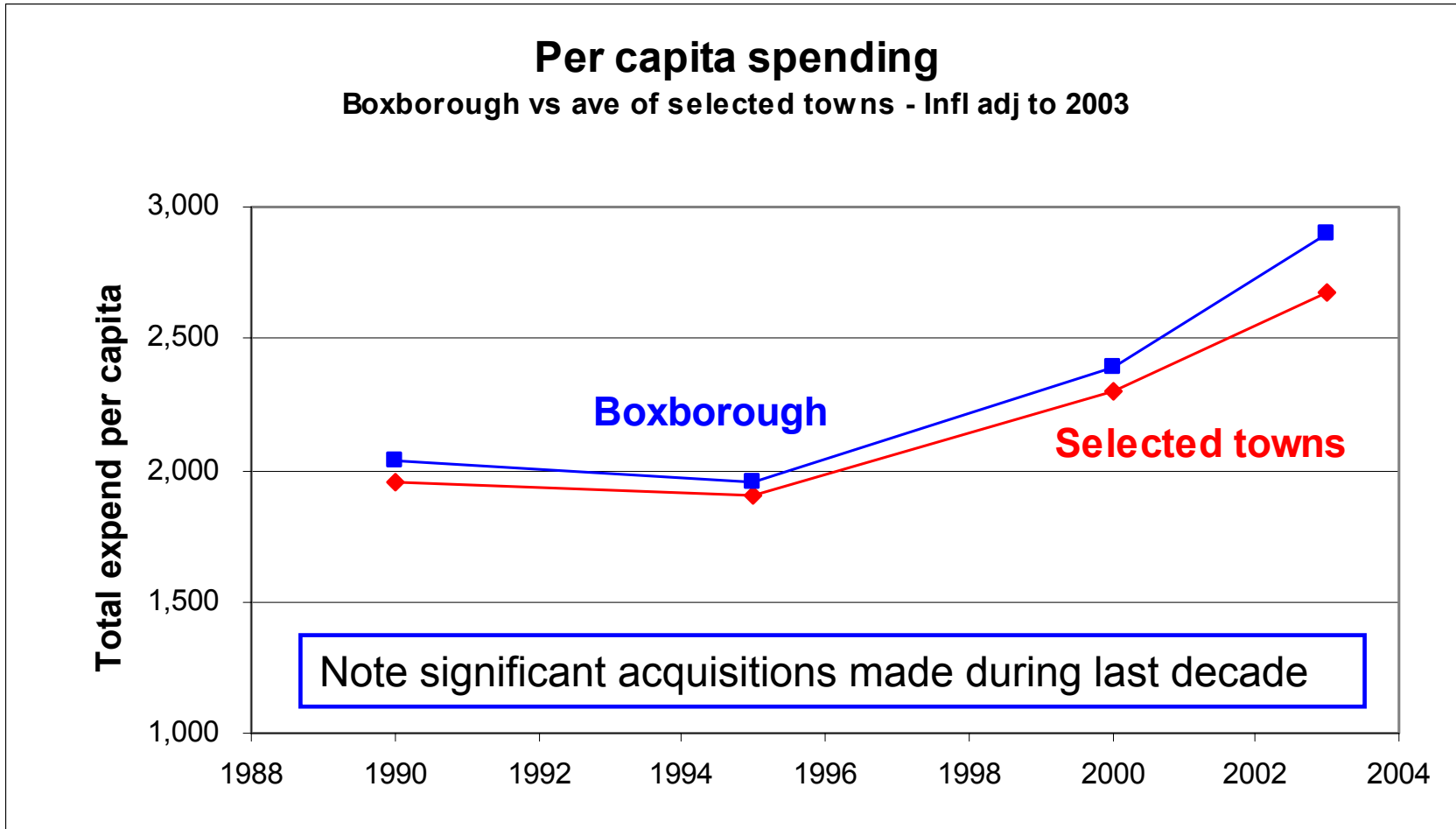
Area Town Comparisons

- Boxborough – some facts:
 - Per capita income in top 10% for last 20 years
 - Our population increased ~46% 1990-2000
- Spending similar to neighboring and market basket towns

ACTON	BOYLSTON	GROTON	LUNENBURG	STOW
AYER	CARLISLE	HARVARD	MAYNARD	SUDBURY
BERLIN	CLINTON	LEXINGTON	SHERBORN	WESTFORD
BOLTON	CONCORD	LINCOLN	SHIRLEY	
BOXBOROUGH	DOVER	LITTLETON	SOUTHBOROUGH	

Per capita Spending

DOR data

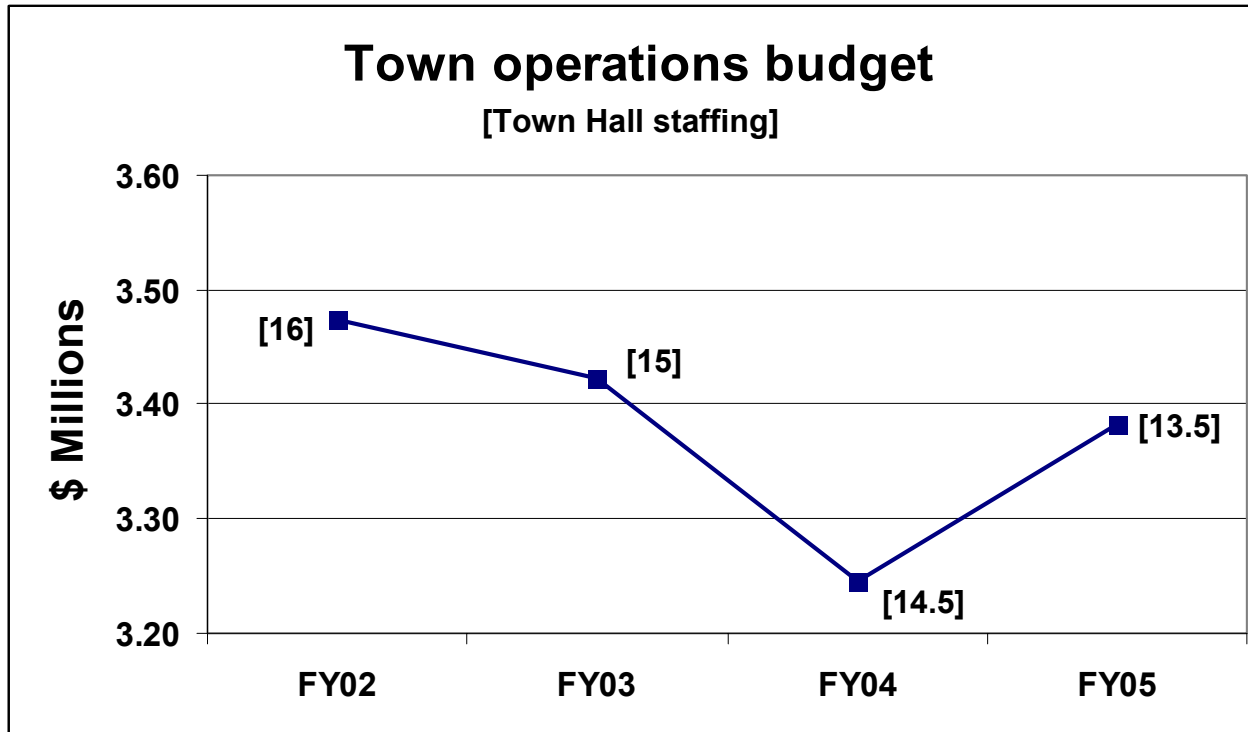


Changes To Services Since FY 2003

- Cut 2.5 employees (20%) from Town Hall
 - Closed Town Hall to the public on Fridays
 - Reduced support to Boards and Commissions
- Delayed maintenance, eliminated custodian
- Police: reduced shift coverage, officer training
- Added duties for Town Hall Staff
 - Boxborough Housing Board
 - BITcom and IT support
 - Recreation program registrations and scheduling
- Increased DPW load: more fields, trails, roads.

Operations Costs Are Lower

Spending and Town Hall staffing are down from FY02



Operations:

- Town Gov't
- Protection
- DPW
- Health
- Culture/Recreation

**School Committee
Town Meeting Presentation**

May 9, 2005

Successes

- 1 of only 8 districts in the state rated
“Very High Performing”
in BOTH math & language arts. (Dept. of Ed.)
- 100% Blanchard faculty designated as
“Highly Qualified”
meeting highest state and federal standards.
- State Program Review conclusions –
“exemplary elementary district program.”

Successes

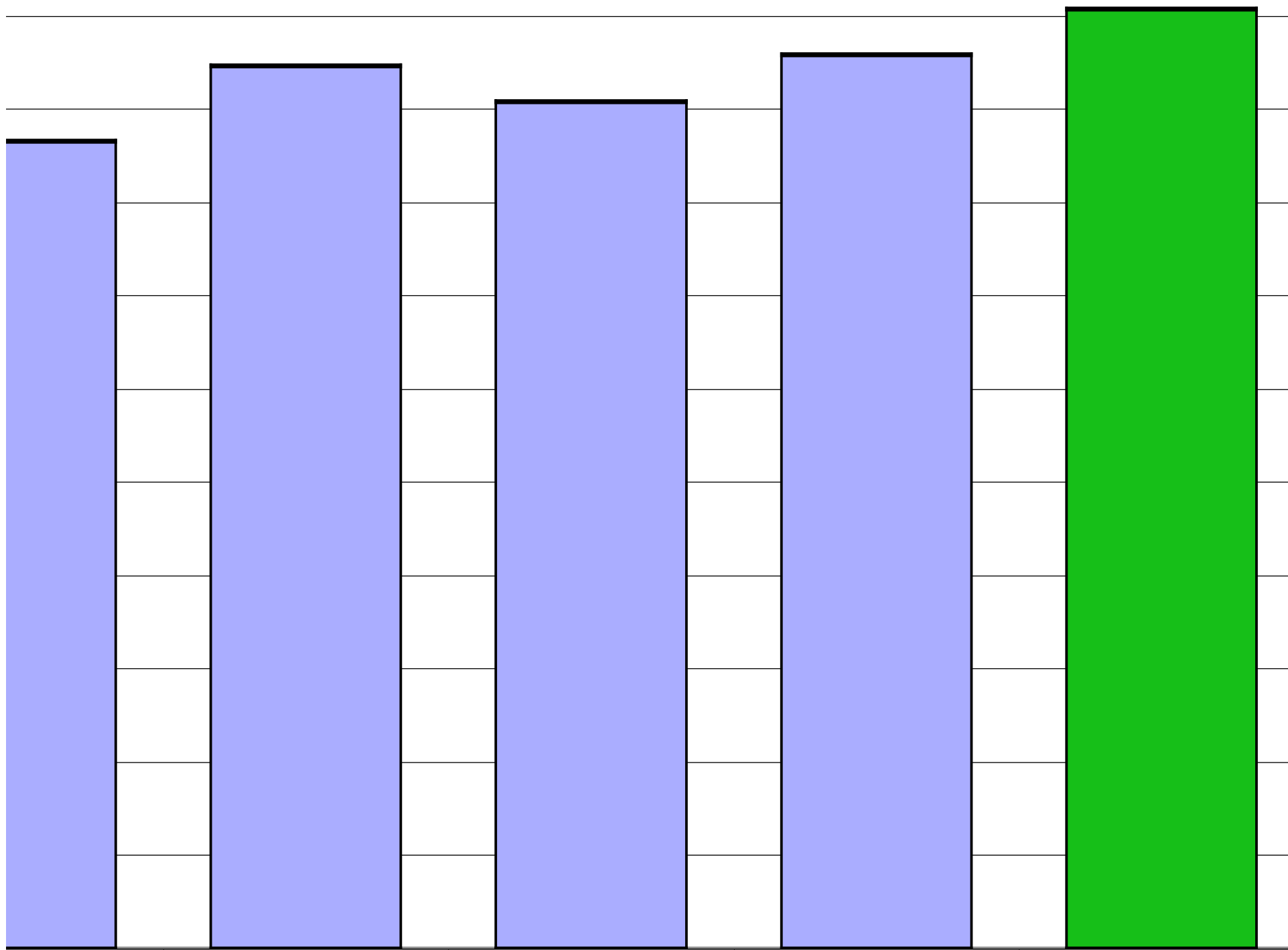
- Band – MICCA Gold medal on April 3, 2005.
- Chorus reception from the National Convention of Kodai Music Educators.
- Brass Ensemble – MICCA Gold medal on April 30, 2005.

Successes

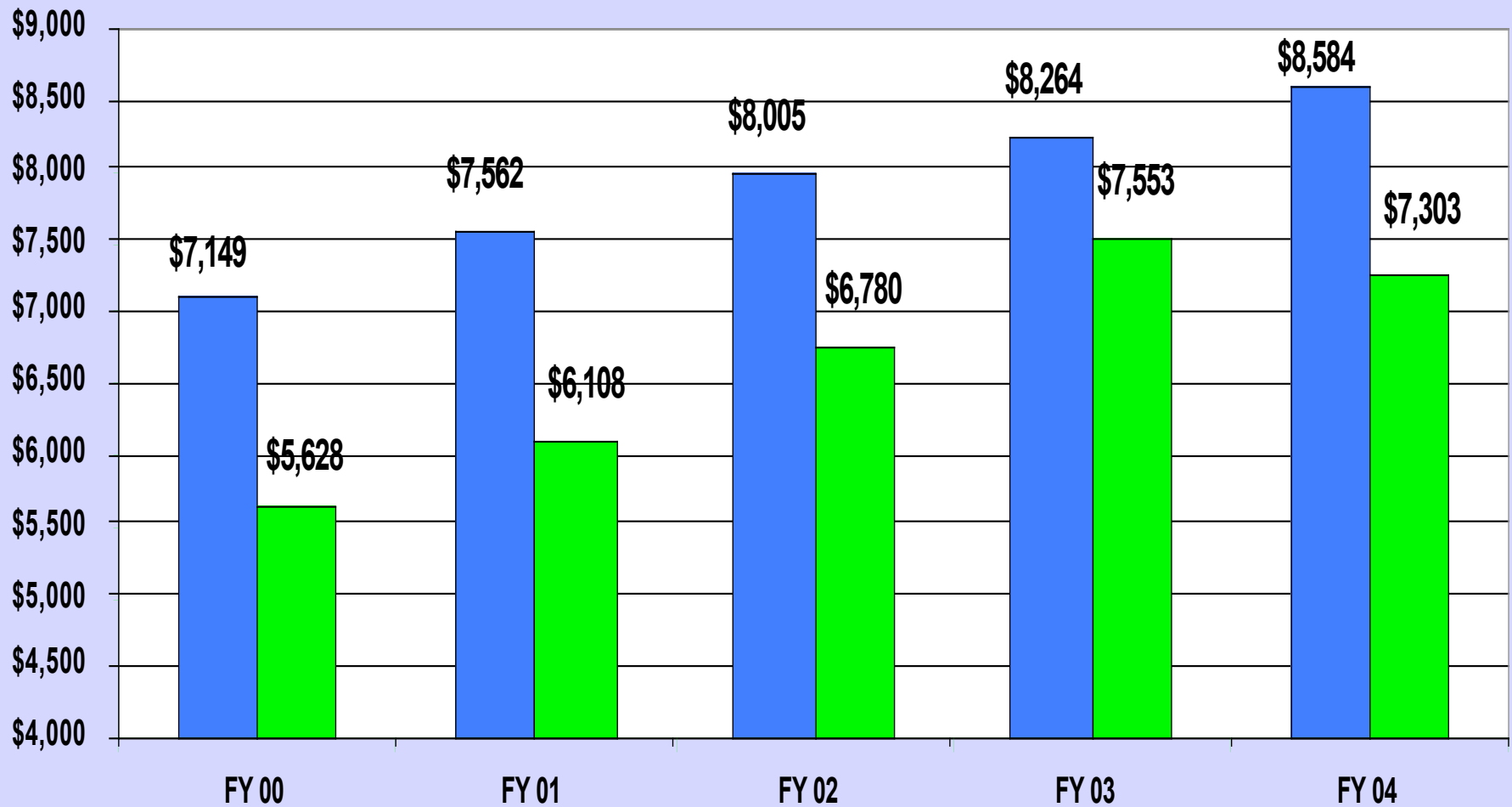
- Student art displayed at the Worcester Art Museum
- Community Service Projects
 - Tsunami relieve fund raisers
 - Canned food drives

Voting Article Five Drives an Operational Override Vote

- **Proposed FY 06 Budget** would represent a 5.11% **increase** from the FY 05 Budget
- **Failing Article Five** would represent a 5.81% **decrease** from the FY 05 Budget



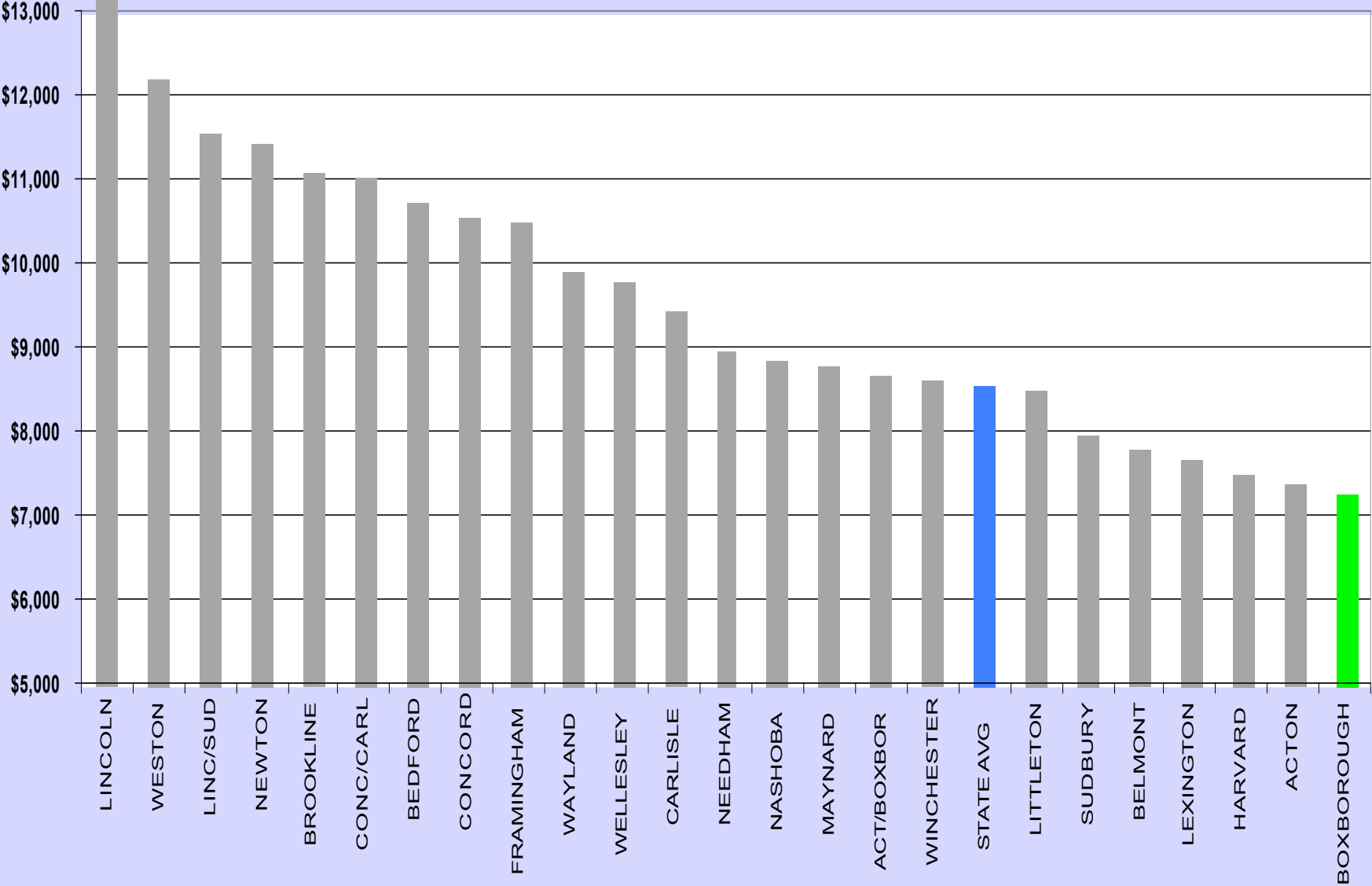
Per Pupil Expenditures



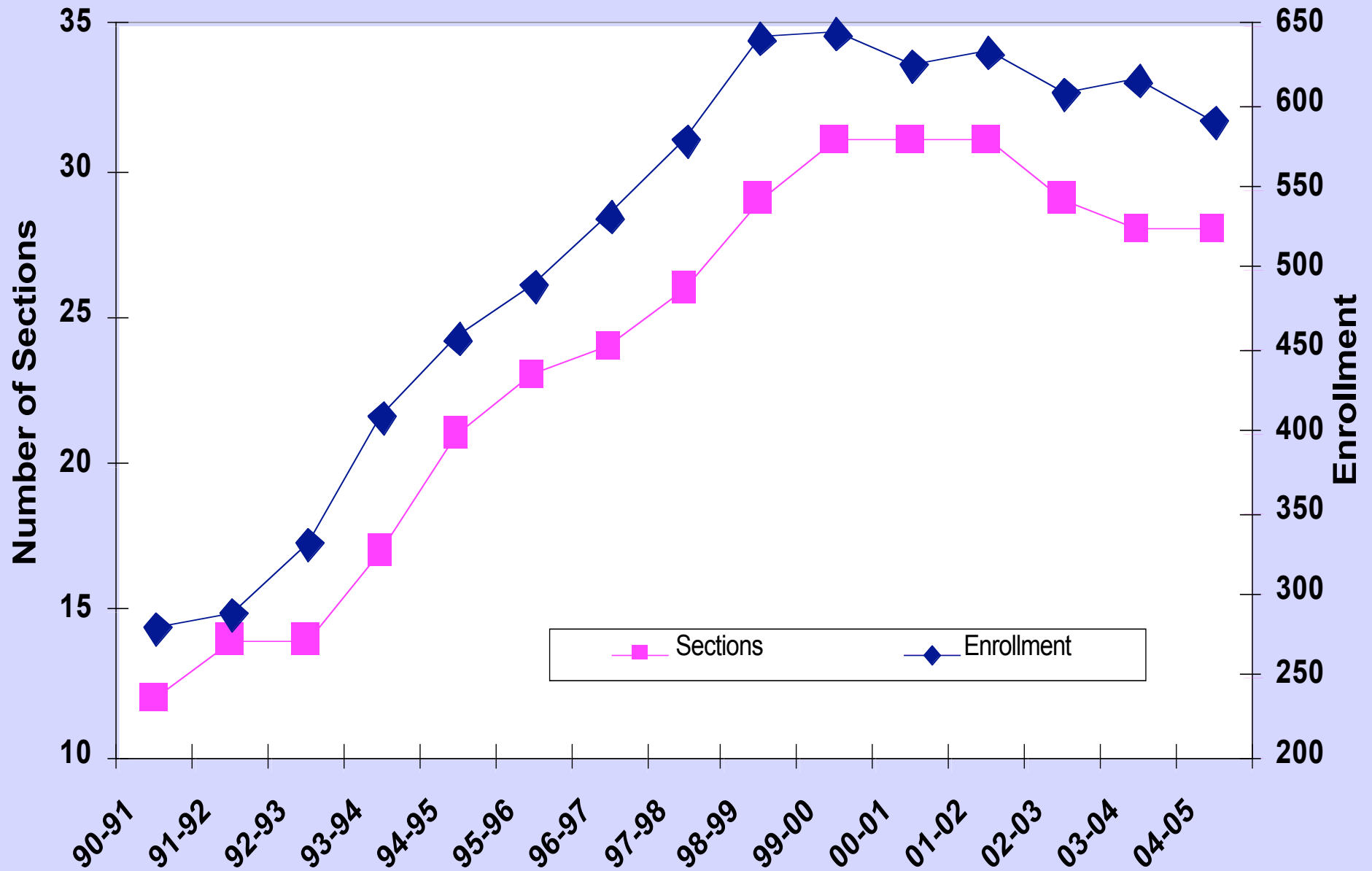
■ State Avg

■ Boxborough

Per Pupil Expenditures FY 04 EDCO/CASE

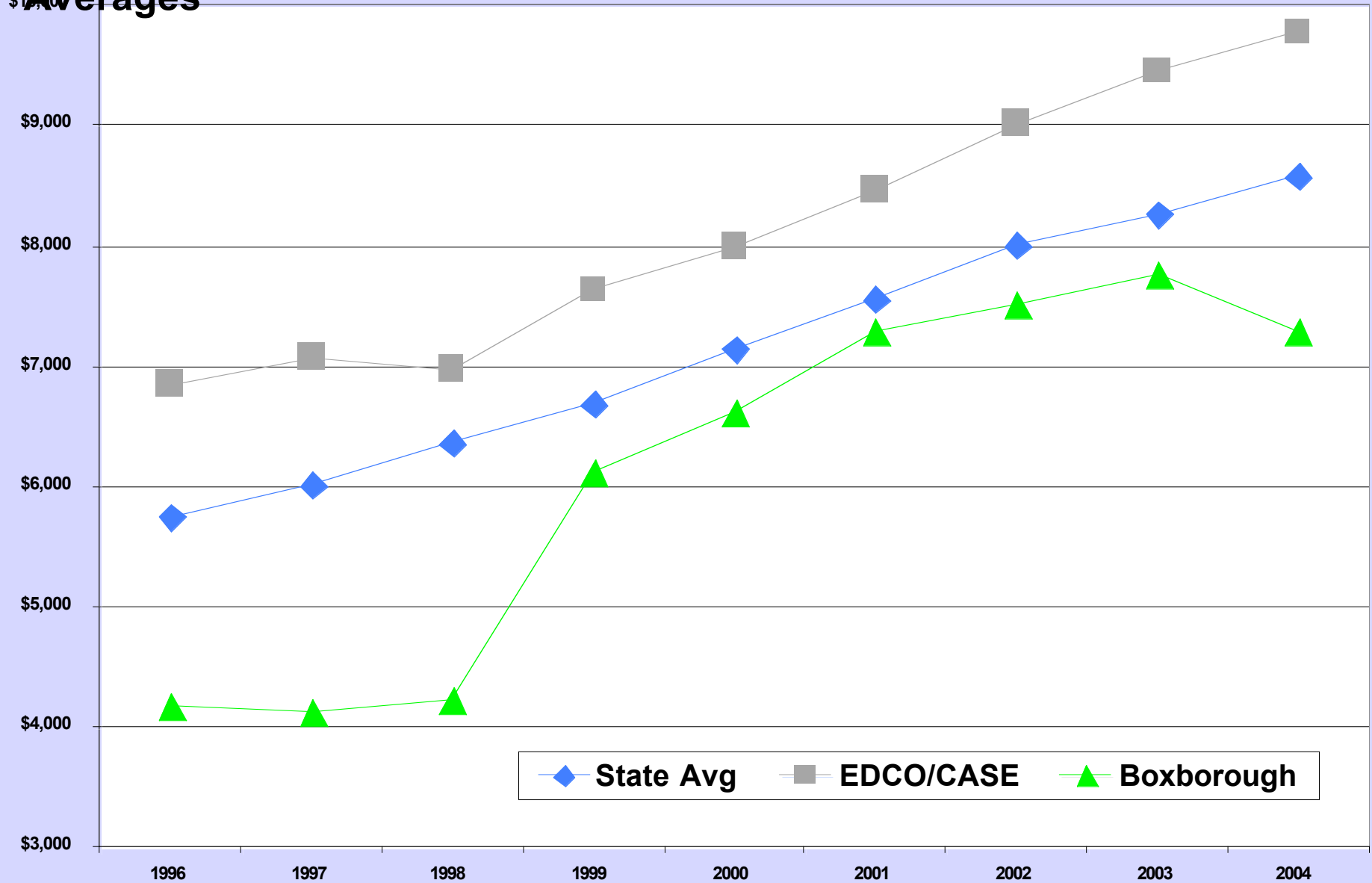


Enrollment and Section History



Boxborough Per Pupil Expenditures vs. State & EDCO/CASE

Averages



BoS Strategy For Cost Containment

- Examine ways to increase efficiencies, staff cross-training
- Get all union contracts aligned for renewal/negotiations in same fiscal year
 - Maximize town bargaining power
 - Examine total compensation levels for FY'07 and beyond
- Continue exploring health insurance options
- Continue to investigate regionalization of services
 - Good progress being made on dispatch
 - Other areas will be examined
- Off-set tax base by considering fee-for-services models
 - Pay As You Throw transfer station?
 - Fees for recreation facility use?
- Encourage expansion of commercial tax base